76th Street Owners' Corp.

Financial Statements
as of December 31, 2019 and 2018
and for the years then ended

SNH CPA Syed N. Haque, CPA & Associates, P.C.
Certified Public Accountants

SNH CPA *Syed N. Haque, CPA & Associates, P.C.*
Certified Public Accountants

92-29 Queens Boulevard, Suite 1B
Rego Park, New York 11374
Tel: 718-896-8900
Fax: 718-896-7490
www:snhcpa.net

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
76th Street Owners' Corp.:

We have audited the accompanying financial statements of 76th Street Owners' Corp. (the "Corporation"), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of revenues, expenses and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 76th Street Owners' Corp. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 16, the Corporation has not estimated the remaining useful lives and replacement costs of the real property and, therefore, has not presented information about the estimates of future costs of major repairs and replacements that will be required in the future that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements.

Syed N. Hoque, CPA & Associates, P.C.

Rego Park, New York
April 7, 2020

76th Street Owners' Corp.
(A Cooperative Housing Corporation)

Balance Sheets
as of December 31, 2019 and 2018

ASSETS:	2019	2018
Cash (Note 3)	$754,085	$933,469
Accounts Receivable (Note 4)	13,446	97,512
Prepaid expenses (Note 5)	64,037	62,745
Property and equipment, net of accumulated depreciation of $6,995,811 and $6,942,271 (Notes 2 and 6)	2,204,215	2,341,166
Total assets	$3,035,783	$3,434,892

LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable and accrued expenses	$56,377	$463,453
Deferred maintenance charges	23,752	17,446
Abatements due to shareholders	25,259	22,364
Due to sponsor	8,305	4,865
Security deposits payable	7,999	5,999
Mortgage note payable (Note 7)	3,178,523	3,170,470
Total liabilities	3,300,215	3,684,597
Stockholders' equity:		
Common stock, par value $1; authorized 80,000 shares; issued and outstanding 74,715 shares	74,715	74,715
Additional paid-in capital	5,410,493	5,410,493
Accumulated deficit	(5,749,640)	(5,734,913)
Total stockholders' equity	(264,432)	(249,705)
Total liabilities and stockholders' equity	$3,035,783	$3,434,892

The accompanying notes are an integral
part of these financial statements

76th Street Owners' Corp.
(A Cooperative Housing Corporation)

Statements of Revenues, Expenses and Accumulated Deficit
for the years ended December 31, 2019 and 2018

	2019	2018
REVENUES:		
Maintenance charges (Note 2)	$865,696	$865,696
Special assessments (Note 13)	76,957	274,204
Rent income - storage bins	22,050	22,063
Laundry income	13,200	3,950
Interest income	10,240	9,601
Insurance refund	2,626	-
Tax refund	4,135	-
Other	4,244	3,223
Total revenues	999,148	1,178,737
EXPENSES:		
Payroll and related expenses	116,076	121,647
Union pension and benefits	47,864	50,595
Real estate taxes	284,290	265,710
Interest expenses	137,833	137,833
Fuel, gas and electric	87,770	85,220
Repairs, maintenance and supplies (Note 9)	80,975	100,257
Insurance	49,294	47,279
Professional fees	9,388	11,330
Water and sewer	50,170	54,928
Management fees (Note 10)	19,833	19,500
Income taxes (Note 12)	1,600	1,519
Permits and fees	13	379
Telephone	7,030	7,174
Other	1,726	871
Total expenses before depreciation and interior painting	893,862	904,242
Excess of revenues over expenses before depreciation and interior painting	105,286	274,495
Less: depreciation	(53,540)	(264,449)
interior painting	(15,132)	(9,000)
Excess of revenues over expenses	36,614	1,046
Accumulated deficit as previously reported at January 1, 2019 and 2018	(5,734,913)	(5,745,209)
Prior period adjustment (Note 15)	(51,341)	9,250
Accumulated deficit at December 31, 2019 and 2018	($5,749,640)	($5,734,913)

The accompanying notes are an integral
part of these financial statements

76th Street Owners' Corp.
(A Cooperative Housing Corporation)

Statements of Cash Flows
for the years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$36,614	$1,046
Adjustments to reconcile excess of revenues over		
expenses to net cash (used in) provided by operating activities:		
Depreciation	53,540	264,449
Amortization of debt issuance costs	8,053	8,053
Prior period adjustments	(51,341)	9,250
(Increase) decrease in:		
Receivables from shareholders	84,066	(87,331)
Prepaid expenses	(1,292)	(12,898)
Increase (decrease) in:		
Accounts payable and accrued expenses	(407,076)	312,160
Deferred maintenance charges	6,306	(1,727)
Security deposits payable	2,000	(500)
Abatement due to shareholders	2,895	(1,649)
Due to sponsor	3,440	(2,911)
Net cash (used in) provided by operating activities	(262,795)	487,942
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in property and equipment	83,411	(633,380)
Net cash provided by (used in) investing activities	83,411	(633,380)
Net decrease in cash	(179,384)	(145,438)
Cash, beginning of year	933,469	1,078,907
Cash, end of year	$754,085	$933,469
SUPPLEMENTAL DISCLOSURE FOR STATEMENTS OF CASH FLOWS:		
Interest paid	$129,779	$129,779
Income taxes paid	$1,648	$2,824

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part of these financial statements

76th Street Owners' Corp.
(A Cooperative Housing Corporation)

Notes to Financial Statements
as of December 31, 2019 and 2018

1. Organization:

76th Street Owners' Corp. (the "Corporation"), a cooperative housing corporation, was incorporated in the State of New York on June 4, 1984. The Corporation owns the building located at 35-36 76th Street, Jackson Heights, New York. This building has 113 residential units, and a superintendent apartment.

2. Summary of Significant Accounting Policies:

Use of Estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment:
Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets.

Debt Issuance Costs:
Debt issuance costs are amortized on the straight-line method over the term of the loan. Amortization on the interest method would not be materially different.

Maintenance Charges:
Maintenance charges are based on an annual budget determined by the Board of Directors. Shareholders are billed monthly based on their respective share holdings. The Corporation retains excess operating funds, if any, at the end of the operating year, for use in future operating periods.

Cash and Cash Equivalents:
For statement of cash flows, all cash in bank, including demand deposits, certificate of deposits and money market accounts are considered cash by the Corporation.

3. Cash:

At December 31, 2019 and 2018, the cash balances consist of the following:

	2019	2018
Operating accounts	$145,031	$32,191
Interest bearing accounts	609,054	901,278
	$754,085	$933,469

4. Accounts Receivable:

At December 31, 2019 and 2018, receivables from shareholders amounted to $13,446 and $97,512, respectively. The Corporation has first lien upon the shares owned by shareholders for indebtedness arising under the provision of the proprietary lease issued to the shareholders. As a result, the Corporation believes that the fair market value of delinquent shares is sufficient to cover maintenance and other receivables in arrears. Accordingly, no allowance for uncollectible maintenance receivable is deemed necessary.

5. Prepaid Expenses:

At December 31, 2019 and 2018, prepaid expenses are comprised of the following:

	2019	2018
Real estate taxes	$48,353	$46,806
Boiler service contract	2,134	2,029
Insurance	13,550	13,910
	$64,037	$62,745

6. Property and Equipment:

At December 31, 2019 and 2018, property and equipment are comprised of the followings:

	2019	2018
Land	$996,757	$996,757
Building and improvements	8,203,269	8,286,680
	9,200,026	9,283,437
Less: accumulated depreciation	(6,995,811)	(6,942,271)
	$2,204,215	$2,341,166

7. Mortgage Note Payable:

On September 4, 2012, the Corporation refinanced its mortgage note payable with Valley National Bank for $3,200,000 at an interest rate of 4% per annum. The mortgage note is secured by the land and building, and requires monthly interest only payment of approximately $10,667. The mortgage will mature on September 30, 2022 at which time the entire amount will be due.

At December 31, 2019 and 2018, the mortgage note payable and unamortized debt issuance costs are as follows:

	2019	2018
Mortgage note payable	$3,200,000	$3,200,000
Less: unamortized debt issuance costs	(21,477)	(29,530)
Net mortgage note payable	$3,178,523	$3,170,470

8. Debt Issuance Costs:

Effective January 1, 2016, the Corporation adopted Accounting Standards Update (ASU) 2015-03 (Subtopic 835-30) which requires debt issuance costs to be presented on the balance sheet as a direct reduction of the carrying amount of the related debt liability. As of December 31, 2019 and 2018, unamortized debt issuance costs amounted to $21,477 and $29,530, respectively, as reported in Note 7 above.

9. Repair, Maintenance and Supplies:

For the years ended December 31, 2019 and 2018, repair, maintenance and supplies comprised of the following:

	2019	2018
Boiler and plumbing	$24,465	$25,539
Hardware and supplies	11,784	11,600
General repair and maintenance	20,839	19,843
Exterminating	7,601	3,703
Elevator	9,349	18,275
Landscaping	6,937	21,297
	$80,975	$100,257

10. Related Party Transactions:

Maxx Management Corp. (Maxx), an affiliate of the Sponsor, Equity Investments, is the managing agent of the Corporation. For the years ended December 31, 2019 and 2018, the Corporation incurred management fees of $19,833 and $19,500, respectively.

Maxx also serves as the paymaster for the employees of the Corporation and is reimbursed for all payroll and related costs incurred on the Corporation's behalf. Employees of Maxx serve on the board of directors of the Corporation.

At December 31, 2019 and 2018, the sponsor owned approximately 9.6% of the outstanding shares of the Corporation. Maintenance charges to the sponsor amounted to $82,995 in 2019 and 2018. For the years ended December 31, 2019 and 2018, the sponsor also paid a special assessment of $7,378 and $26,288, respectively.

11. Multi-employer Pension Plan:

The Corporation contributes to a multi-employer defined benefit pension plan under the terms of a collective bargaining agreement that covers its union represented employees. The risks of participating in a multi-employer plan differ from those of a single employer plan in the following respects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (3) if the Corporation chooses to stop participating in the multi-employer plan, the Corporation may be required to pay the plan an amount based on the unfunded status of the plan, which is referred to as the withdrawal liability.

The Corporation's participation in plan is outlined in the table below:

Pension Plan	Employer Identification number	Pension Plan number	PPA Zone Plan Years 1/1/18 to 12/31/18 1/1/19 to 12/31/19	FIP/RP Status Implemented	Surcharge Imposed	Expiration date Collective Bargaining Agreement
Building Service 32BJ Fund	13-3289511	001	Red	Implemented	None	4/20/2022

The Corporation's pension contributions for the years ended December 31, 2019 and 2018 were $10,747 and $11,478, respectively. The Corporation has not contributed more than 5% of the total contribution to the plan.

12. Income Taxes:

The Corporation qualifies under Section 216 of the Internal Revenue Code as a cooperative housing corporation. This section permits shareholders to deduct their proportionate share of real estate taxes and mortgage interest on their own tax returns.

The Corporation is qualified to prepare its tax returns pursuant to the provisions of Subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (tenant cooperators), are deductible only to the extent of patronage income. The Corporation believes that all of its income is patronage income within the meaning of Subchapter T.

For the years ended December 31, 2019 and 2018, the Corporation has a net taxable loss of $80,159 and $112,089, respectively. As a result, the Corporation is not subject to federal income tax in 2019 and 2018. State and local franchise taxes are computed based on the capital method for cooperative housing corporations, which amounted to $1,600 and $1,519 in 2019 and 2018, respectively.

At December 31, 2019 and 2018, the Corporation has federal net operating loss carryforwards of $760,048 and $679,889, respectively, which are available to reduce future taxable income.Net operating loss carryforwards expire through the year 2039.

The net losses per financial statements reconciled to taxable (loss) income on federal income tax returns are as follows:

	2019	2018
Net income (losses) per financial statements	$36,614	$1,046
Capital assessment	(76,957)	(274,204)
Other	-	100
Financial statements depreciation in (lower) excess of tax depreciation	(39,816)	160,969
Taxable income (loss)	($80,159)	($112,089)

The Corporation's tax filings are subject to audit by various taxing authorities. The Corporation's federal, state and city income tax returns for years ended December 31, 2016 through 2019 remain open to examination by various taxing authorities. In evaluating the Corporation's tax provisions and accruals, the Corporation believes that its estimates are appropriate based on current facts and circumstances.

13. Special Assessments:

In 2019 and 2018, the Board of Directors approved a special assessment as described in Note 14 below, for tax abatement which amounted to $76,957 and $73,972, respectively.

In 2018, the Board of Directors also approved an assessment for roof and elevator repair of $200,232. The amount was paid over one month.

For the years ended December 31, 2019 and 2018, assessment income amounted to $76,957 and $274,204, respectively.

14. Real Estate Tax Abatements:

The New York City grants real estate tax abatements to certain shareholders of the Corporation under its Coop and STAR abatements program. The abatements are provided by means of credits to the Corporation's real estate taxes and the Corporation in turn passes on the abatements to the eligible shareholders. In 2019 and 2018, the Corporation distributed $76,570 and $77,573, respectively, as Coop and STAR abatements to eligible shareholders.

15. Prior period adjustment:

Accumulated deficit at January 1, 2019 has been restated from amount previously reported to reflect an overstatement of property and equipment of $32,613, understatement of deferred revenue of $9,250 and understatement of accounts payable of $9,478. The net prior period adjustments amount to $51,341. The financial statements for the year 2018 have not been restated.

Accumulated deficit at January 1, 2018 has been restated from amount previously reported to reflect an overstatement of laundry income of $9,250. The financial statements for the year 2017 have not been restated.

16. Future Major Repairs and Replacements:

The Corporation has not conducted a study to determine the remaining useful lives of the components of real property and current estimates of the costs of major repairs and replacements that may be required in the future. The Board has also not developed a plan to fund those needs. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation has the right to increase regular maintenance, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

17. Concentration of Credit Risk:

The Corporation maintains accounts with financial institutions. At times, cash balances may exceed the maximum coverage provided by the Federal Deposit Insurance Corporation ("FDIC") on insured depositor accounts. The Corporation believes that it mitigates risk by investing its cash and cash equivalents with major financial institutions. As of December 31, 2019 and 2018, the uninsured cash balances amounted to $3,935 and $178,658, respectively.

18. Impairment:

In accordance with FASB ASC 360, long-lived assets, including property and equipment, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future discounted cash flows. The amount of the impairment loss is the excess of the carrying amount of the impaired assets over the fair value of the assets based upon discounted future cash flows. Management believes that there has not been any impairment in 2019 and 2018.

19. Date of Management's Review:

Management has evaluated subsequent events through April 7, 2020, the date on which the financial statements were available to be issued. As of April 7, 2020, there are no subsequent events to be recognized or reported.